



Popular Industries Limited
Annual Report 1970

Financial Highlights, year ended October 31,

	1970	1969
Sales	\$10,627,221	\$9,198,433
Earnings before extraordinary item	118,990 ✓	470,223 ✓
Net earnings	136,939	470,223
Earnings per share (Based on the weighted average number of shares outstanding during the year)		
Before extraordinary item	12¢ ✓	50¢ ✓
After extraordinary item	14¢	50¢



POPULAR INDUSTRIES LIMITED

3556 St. Lawrence Blvd., Montreal 130, Canada - Tel. 288-7121*

STATEMENT OF EARNINGS (UNAUDITED)

For the Six Months Ended April 30, 1970 (With comparative figures for 1969)

	1970	1969
SALES	\$4,900,212	\$4,041,089
Earnings before income taxes	374,520	405,347
Provision for income taxes	192,800	209,000
NET EARNINGS	<u>\$ 181,720</u>	<u>\$ 196,347</u>
Earnings per share	.19	.20

STATEMENT OF SOURCE AND USE OF FUNDS (UNAUDITED)

For the Six Months Ended April 30, 1970 (With comparative figures for 1969)

SOURCE OF FUNDS

From operations:

Net earnings for the period	\$ 181,720	\$ 196,347
Non-cash charges - depreciation and amortization	5,291	6,358
	<u>\$ 187,011</u>	<u>\$ 202,705</u>
Portion of special tax refundable within twelve months	-	2,388
Proceeds from share issue	-	460,000
	<u>\$ 187,011</u>	<u>\$ 665,093</u>

USE OF FUNDS

Net additions to fixed assets	\$ 1,138	\$ 8,356
INCREASE IN WORKING CAPITAL	<u>\$ 185,873</u>	<u>\$ 656,737</u>

Our sales have increased in accordance with our planning although profits were slightly lower as a consequence of a combination of factors including the effects of the temporary surcharge on Malaysian shirts, high costs of financing, delays caused by a long-shoremen's strike, and disruptions of mail service which resulted in increased operating costs.

The recently announced Canadian Government surtax on men's shirts does not affect the Company since we import only from countries with established quotas. Our orders on hand are substantially higher for the second half of the year than they were for the comparable previous period. These facts, coupled with the anticipated reduction in interest rates, lead us to believe that operating results for the second half of the year will be improved.

June 30, 1970.

Michael Segal, PRESIDENT

Popular Industries Limited

Annual Report

for the year ended October 31, 1970



Board of Directors

Stanley Butler, M.D.	Lakewood, California
Gerald Cohen	Montreal, Quebec
Yoine Goldstein	Montreal, Quebec
E. Allan Lovelace	Toronto, Ontario
Michael Segal	Hamilton, Bermuda
Gordon C. Watt	Montreal, Quebec
William Tsu Liang Yao	Kowloon, Hong Kong

Officers

Michael Segal	President
Gerald Cohen	Senior Vice-President
Charles Akerman	Vice-President, Sales
Seymour Steinman	Vice-President, Sales
Yoine Goldstein	Secretary-Treasurer

Transfer Agent and Registrar

Canada Permanent Trust Company	Montreal, Toronto, Calgary, Vancouver
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Auditors

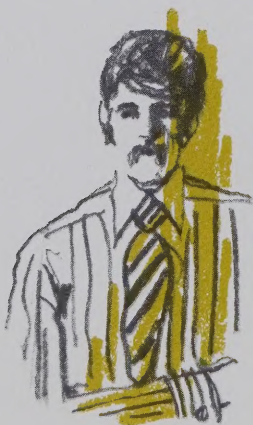
Richter, Usher & Vineberg, Chartered Accountants	Montreal, Quebec
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Listed

Montreal Stock Exchange

President's Report to the Shareholders

We are pleased to report that sales for the year ended October 31, 1970 reached an all-time high of \$10,627,221, which is a 15.5 per cent increase over last year's \$9,198,433. This unprecedented increase in sales was achieved despite the uncertain economic climate and the competitive nature of our industry. However, notwithstanding the increase in sales, these difficult conditions led to lower profit margins, particularly during the latter half of the year. Concurrent with this situation, year-end inventory figures were adjusted to give effect to the prevailing market conditions.



Net earnings for the year amounted to \$118,990 before an extraordinary item referred to in the financial statements, and \$136,939 after the extraordinary item. Earnings per share, calculated on the weighted average number of shares outstanding during the respective periods, were 12 cents before and 14 cents after the extraordinary item in the current period, compared to 50 cents per share last year. Working capital at October 31, 1970 amounted to \$2,370,251, an increase of \$139,290.

Our products, as evidenced by increased sales, enjoy wide-spread acceptance all across Canada. Selective consumers today, who are demanding the highest value for their purchase dollars, have responded favourably to our



established policy of combining superior quality with full dollar value. Our most popular brands, PARIANI, ABALENE, LUCERNE and INTERNATIONAL have earned a high level of approval and confidence among the public.



On behalf of the Board, we wish to thank all employees for their diligence, dedication and loyalty during the year. Also, to our shareholders and associates, we would like to express our most sincere appreciation for their support.

Michael Segal
President



We are dealing with suppliers in countries which comply with established quotas for Canada. Our careful and discretionary selection ensures the smooth flow of merchandise without the risk of embargo or other regulatory action by the authorities.



The Company is confident that with improved economic conditions and intensive efforts to strengthen its market position, its operations will result in an improved profit picture.

Popular Industries Limited

Balance Sheet

as at October 31, 1970

(With Comparative Figures for 1969)

ASSETS

	1970	1969
Current		
Cash	\$ 500	\$ 424
Accounts receivable	2,123,134	1,528,507
Merchandise inventory, at the lower of cost or net realizable value (Note 1)	4,645,702	4,760,804
Prepaid expenses	7,708	9,681
	<u>6,777,044</u>	<u>6,299,416</u>
 Fixed		
Furniture and equipment, at cost	65,829	55,161
Automobiles, at cost	22,754	31,092
	88,583	86,253
Accumulated depreciation	56,608	53,366
	31,975	32,887
Alterations to leased premises, unamortized balance	—	1,439
	<u>31,975</u>	<u>34,326</u>
	<u><u>\$6,809,019</u></u>	<u><u>\$6,333,742</u></u>

Approved on behalf of the board:

Michael Segal, Director

Gerald Cohen, Director

LIABILITIES

	1970	1969
Current		
Bank indebtedness (Note 2)	\$1,679,476	\$1,722,229
Accounts payable and accrued expenses	2,534,785	1,816,505
Income taxes payable	<u>192,532</u>	<u>529,721</u>
	<u>4,406,793</u>	<u>4,068,455</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

1,200,000 shares without par value

Issued:

975,000 shares	583,000	583,000
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Retained Earnings	<u>1,819,226</u>	<u>1,682,287</u>
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	<u>2,402,226</u>	<u>2,265,287</u>
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	<u><u>\$6,809,019</u></u>	<u><u>\$6,333,742</u></u>
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See accompanying notes to financial statements

Popular Industries Limited**Statement of Earnings and Retained Earnings**

for the year ended October 31, 1970

(With Comparative Figures for 1969)

	1970	1969
Sales	\$10,627,221	\$9,198,433
Cost of goods sold, selling, general and administrative expenses, exclusive of depreciation, amortization and interest	10,175,753	8,015,622
	<u>451,468</u>	<u>1,182,811</u>
Depreciation and amortization	11,794	13,886
Interest	185,684	178,702
	<u>197,478</u>	<u>192,588</u>
Income from operations	253,990	990,223
Provision for income taxes	135,000	520,000
Earnings before extraordinary item	118,990	470,223
Extraordinary item, net of applicable income taxes (Note 3)	17,949	—
Net earnings for the year	136,939	470,223
Retained earnings—beginning of year	1,682,287	1,212,064
Retained earnings—end of year	<u>\$ 1,819,226</u>	<u>\$1,682,287</u>
Earnings per share (Based on the weighted average number of shares outstanding during the year)		
Before extraordinary item	12¢	50¢
After extraordinary item	14¢	50¢

See accompanying notes to financial statements

Popular Industries Limited**Statement of Source and Use of Funds**

for the year ended October 31, 1970

(With Comparative Figures for 1969)

	1970	1969
Funds Provided		
From Operations		
Net earnings for the year	\$ 136,939	\$ 470,223
Non-cash items deducted in determining net earnings		
Depreciation and amortization	11,794	13,886
	148,733	484,109
Proceeds from issue of shares	—	460,000
Special tax refundable within twelve months	—	4,767
	148,733	948,876
Funds Used		
Net additions to fixed assets	9,443	14,224
Increase in working capital	139,290	934,652
Working capital—beginning of year	2,230,961	1,296,309
Working capital—end of year	<u>\$2,370,251</u>	<u>\$2,230,961</u>

Popular Industries Limited

Notes to Financial Statements

October 31, 1970

The following notes are applicable to the financial statements as at October 31, 1970. Reference is made to the previously issued report for the notes applicable to the statements as at October 31, 1969.

Note 1—Merchandise Inventory

The company follows the practice of recording duties in its accounts at the time goods are cleared from customs. Consequently, custom duties of approximately \$918,000, payable when goods are cleared, have not been included in the accounts of the company on goods in bond in the amount of \$2,828,161 and on goods in transit in the amount of \$420,112.

Note 2—Bank Indebtedness

Accounts receivable and warehouse receipts and bills of lading have been pledged as security for the bank indebtedness.

Note 3—Extraordinary Item

The extraordinary item represents \$37,949 gain on conversion of accounts payable in U.S. dollars as at the unpegging of the Canadian dollar.

Note 4—Directors' and Senior Officers' Remuneration

\$162,115 (\$179,977 in 1969) in aggregate direct remuneration to directors and senior officers has been deducted in determining net earnings for the year ended October 31, 1970.

Note 5—Litigation

An action has been instituted by a former employee and director claiming salaries and other amounts totalling approximately \$70,000. In the opinion of counsel, the claim is without merit, and should the claimant be successful, the maximum liability, not provided for in the accounts, would not exceed \$26,000.

Auditors' Report

To the Shareholders of Popular Industries Limited

We have examined the balance sheet of Popular Industries Limited as at October 31, 1970 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Richter, Usher & Vineberg,
Chartered Accountants

Montreal, Quebec
January 12, 1971

FROM COAST TO COAST

